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SUBJECT: OIL IN ISRAEL? DRILLING YIELDS POSITIVE
INDICATIONS

(U) 1. Israelis may no longer be able to consider their country "the one place in the Middle East without any oil," if positive indications announced last week yield commercial quantities of oil. The area around the Dead Sea has long been a target for exploration, and on January 24, a consortium of Zerah Oil and Gas Exploration (50%) and Delek Group subsidiaries Avner Oil and Gas (25%) and Delek Drilling (25%) announced indications of oil in drilling at its Tzuk Tamrur 4 site. Cautious, the consortium said that it is premature to estimate the size of the reservoir, noting that they will make the determination whether to pursue production tests once logs are analyzed. However, pre-drilling seismic studies indicated that the site contains a closed structure with the potential to contain 6.6 million barrels of high-quality oil.

(U) 2. Also last week, Givot Olam Oil, Ltd. stock prices rose 15.1 percent when it notified the Tel Aviv Stock Exchange (TASE)--just one month after announcing the discovery of over 60 percent gas in drill mud at Meged 5 and estimated reserves of 2000 million barrels of oil (10-20 percent recoverable)--that it will conduct production tests at four segments of the Meged lease (I/11), located 20 km north-east of Tel Aviv near Rosh Ha'Ayin in central Israel. Initial examination of the logs shows an oil structure over 600 meters long, of which 50-100 meters have the potential for production, according to the report. However, production tests are necessary to determine whether the site will be commercially viable.

(U) 3. COMMENT: Caution is prudent in this speculative industry. Nonetheless, commercial quantities of oil in addition to the offshore natural gas reserves discovered last year would go far toward Israeli energy independence. It remains to be seen whether these petro-discoveries dampen the GOI's enthusiasm for alternative energy development.

Cunningham